

**MINUTES OF ANNUAL MEETING OF BOARD OF DIRECTORS OF  
CITY OF SCOTTSDALE MUNICIPAL PROPERTY CORPORATION  
Tuesday, January 20, 2009**

**8:00 a.m.**

**Winfield Scott Room  
Scottsdale Marriott Suites Old Town  
7325 East Third Avenue  
Scottsdale, Arizona**

**1. CALL TO ORDER AND ROLL CALL**

Mr. Kenneth Harder, President, called the annual meeting of the Board of Directors of the City of Scottsdale Municipal Property Corporation (MPC) to order at 8:19 a.m. on Tuesday, January 20, 2009, in the Winfield Scott Room of the Scottsdale Marriott Suites Old Town, 7325 East Third Avenue, Scottsdale, Arizona.

**Directors Present:**

Kenneth Harder  
Larry Aungst  
  
William Schrader

**Others Present:**

Craig Clifford, City of Scottsdale  
Lee Guillory, City of Scottsdale  
Bill Davis, Piper Jaffray  
Keith Hoskins, Gust Rosenfeld  
Jim Jenkins  
Marshall Brown

**Absent:**

Fredda Bisman

**2. Appointment to fill board vacancy.**

Mr. Craig Clifford, Financial Services General Manager reported that City Council approved the appointment of Jim Jenkins to the Board.

**Mr. Schrader moved the appointment of Jim Jenkins to the Board of Directors of the City of Scottsdale Municipal Property Corporation. Mr. Aungst seconded the motion, which carried by a vote of three (3) to zero (0).**

Mr. Harder welcomed Mr. Jenkins to the Board.

**3. Old Business:**

- a. Approval of minutes of the August 18, 2008 Board meeting.

**Mr. Jenkins moved the approval of the minutes of the meeting of August 18, 2008. Mr. Schrader seconded the motion, which carried by a vote of four (4) to zero (0).**

**4. New Business:**

- a. Review the Audited Financial Statements.

Mr. Clifford said the external auditors gave a clean opinion on the financial statements for the Municipal Property Corporation. The most significant change since last year was the issuance of \$105 million of new debt, which changed the receivables and payables. Most of that money has since been spent on the intended capital projects

Mr. Aungst asked whether the City's ability to repay its debts been affected by the turmoil in the financial markets. Mr. Clifford said the City is in an excellent position. Several years ago he had insisted to City Council that they set aside additional money equal to one-time debt service, because the debt is secured by the City's excise tax, which fluctuates with the economy. The money is set aside and is not part of staff's budget balancing recommendations at this time. This also protects the City's credit rating. Mr. Clifford added that the City has been using the debt for land purchases and for water and sewer obligations (the primary payment source for the water/sewer debt is the enterprise user fees).

Mr. Harder noted that the City has \$1.2 billion in long-term debt. He opined that the most important thing to discuss is page 156 of the City financial statements. Mr. Clifford pointed out this was not on the agenda. Mr. Harder said the Board needs to know whether the City can pay the debt. The good news is that even with a significant reduction to the tax stream, the City would still be able to pay its bond obligations. He pointed out that page 86 of the City's financial statements shows a total of \$405,797,00 of outstanding bonds. Yet page 130 of the City's financial statements shows total municipal corporation bonds of \$424,681,000. In the financial statements of the Municipal Property Corporation on page 8, long-term liabilities are shown as \$425,185,000. He asked for an explanation of the difference between these numbers.

Mr. Aungst noted that on page 20 the difference is accounted for with insurance premiums and deferred insurance refunding. The \$405,797,000 is the principle. Mr. Harder thanked him.

Noting that the City has issued a lot of debt, Mr. Harder said they do not always consider whether the debt issued has met the City's expectations. He asked the other Board Members if they want an update about how well those projects are doing. In response to a comment by Mr. Aungst, Mr. Harder pointed out that the City issued debt for the Stadium and the golf course but have not received any

update. He wondered whether the Board should be asking for updates, even though the total debt is covered.

Mr. Jenkins asked who would provide the updates. Mr. Harder replied he would expect that staff could give a brief overview of how well the projects are going. He recalled that in the case of the golf course they had been presented with very detailed projections.

Mr. Aungst agreed that it would be nice to know if the City succeeded in what it was trying to do. Mr. Clifford said his staff update would be that the debt was issued and all the projects were completed. He reminded them that the debt was not issued premised upon the financial viability of any of the projects, but was based upon the City's promise to repay.

Mr. Jenkins asked if the figures Mr. Harder is asking for are readily available. Mr. Clifford said he could find out how many rounds were played on the golf course but could not tell them about the land purchased or water and sewer projects. Mr. Schrader pointed out that the land was purchased at public auction but since then land values have decreased. Mr. Clifford said they have no current comparables for that property.

Mr. Harder suggested going to see the water and sewer projects in order to have a better understanding. He feels it would be a mistake not to look at what was done with the funds.

Mr. Schrader said that the golf course has put Scottsdale on the map. He asked about the possible impact of federal funding for projects under the new administration.

Mr. Clifford said the federal government asked for an infrastructure wish list a while back. The City submitted a list which includes projects that are already underway. However the government wanted a list of projects that could start up within six months so that the funding would put people to work. The City has many projects in the Master Plan that they plan to do within the next few years. Everyone is waiting to find out the details of the federal funding package and what strings are attached to it. He feels that by the time a federal package is ready, the City will have already built the projects (already underway) on the list.

Mr. Harder asked the other Board Members if they wanted staff updates on the projects. Mr. Schrader said he saw nothing wrong with getting updates. Mr. Harder said these would primarily be regarding the golf course. Mr. Aungst said that there is nothing wrong with having this information, but it is not a requirement.

Mr. Jenkins remarked that the land was purchased partially for parking. Mr. Harder explained that he wants to ensure that they keep the original objectives in front of them. If the objectives were not met, presumably the City will want more funding in the future. He believes the Board should have an expectation rather than a surprise. He asked staff to provide a brief update at the next Board meeting.

**Mr. Aungst moved acceptance of the audited financial statements of the Municipal Property Corporation of the City of Scottsdale for the fiscal year ended June 30, 2008. Mr. Schrader seconded the motion, which carried by a unanimous vote of four (4) to zero (0).**

b. New Issue Update.

Mr. Clifford explained he has started trying to have a dialogue with City Council about the need for a new bond issue. The next time they can have an election for bond authorization is in November 2010, unless Council calls a special election next fall. He would like voters to authorize bonds for the Transportation Master Plan and the Water and Sewer Master Plan. Both plans were updated last year. Transportation is a 22-year plan, and the Water and Sewer Master Plan is 30 years. If this is unsuccessful, he advised that staff will come back to the MPC for additional water and sewer debt they expect to issue in 2010 for plant expansions. The projects are primarily related to growth issues. Water and sewer infrastructure must precede growth, unlike other services. Assuming some economic recovery the City is sticking to the plan of issuing this debt in 2010 or early 2011.

Mr. Clifford elaborated that the Bond 2000 authorization has nearly run its course. Although the City is looking at budget cuts because of the economic slowdown, they cannot afford to fall behind in infrastructure.

Mr. Aungst asked whether the City has funding for the Transportation Master Plan. Mr. Clifford said that the projects in the Transportation Master Plan are slated to start in years 5 or 6. The current plan is moving forward with existing bonds and other cash flows. About half of the Transportation Master Plan is planned to be funded by Prop 400 funds from the State. The other half is unfunded. He confirmed to Mr. Harder that this does not include light rail.

In reply to a question from Mr. Schrader, Mr. Clifford said the bulk of the Water and Sewer Master Plan is CAP expansion. Marshall Brown also gave a brief update on possible future water/sewer projects.

Mr. Jenkins asked about interest rates. Mr. Clifford said the bond ratings are virtually identical. Mr. Jenkins asked whether other cities have had MPC issues due to the difficulty in getting bond authorization and the constraints on bond election timing. A discussion ensued. Mr. Keith Hoskins explained that bond elections can now only take place on the November election day.

Mr. Clifford said he will likely recommend to City Council to put a ballot proposition for water and sewer revenue bonds. Mr. Harder asked how many Board Members have visited the water campus. Since most have not, he suggested holding a meeting at the water campus. Ms. Guillory asked which building they would prefer to meet in. The consensus was the Chaparral Facility.

- c. Board Member Rotation Vote.

**Mr. Aungst nominated, Mr. Schrader seconded, and the incumbent members of the Board unanimously elected the following officers for the ensuing year:**

Fredda Bisman – President  
Larry Aungst – Vice President  
William Schrader – Secretary  
Jim Jenkins – Treasurer

- 5. Public Comment.**  
None.

- 6. Adjournment.**

There being no further business to discuss, the meeting was adjourned at 8:52 a.m.

Respectfully submitted,

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Larry Aungst, Secretary

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Kenneth Harder, President